

## **FSC Review - Executive Summary**

1.1 The Financial Services Commission (FSC) has been on a long journey of development. The FSC's Board, Management and Staff deserve credit for what has been achieved. But there is still work to be done, and change necessary. This Review makes a number of recommendations.

### **Reinforcing the Board and setting direction**

1.2 Priority should be given to appointing an additional non-executive director to the Board who has insurance expertise (the principal financial services business sector in TCI) to enrich expertise and spread the workload.

1.3 Drawing together existing internal FSC planning processes into an annual business planning exercise would assist the Board in setting direction. And the decision making process would be improved if well structured papers were routinely circulated to Board members in advance of Board meetings, following best practice in other financial services regulators.

### **Developing leadership and talent management**

1.4 As the FSC has grown in size, a heavy burden has fallen on the Managing Director. A Deputy Managing Director should be appointed to provide greater space for developing leadership and talent management of FSC staff. This would be consistent with the structure adopted by other financial services regulators in the region.

1.5 The Managing Director, his Deputy (if appointed) and a full complement of Heads of Department should work together as a senior leadership team - with support from an external coach - to break down silos and encourage a more collegiate culture.

1.6 Information should be cascaded from the leadership team to other members of staff.

### **Developing and using staff experience**

1.7 The FSC has achieved a creditable increase in the experience of its staff. The Bank and Trust Department stands out as an example of increasing experience whereas retaining experience in the Insurance Department has been more challenging. It is a cause for concern that the Head of Insurance post has been vacant since July 2013.

1.8 To maximise the use of existing skills and to encourage staff to develop, managers at all levels must be willing to delegate, with senior managers leading by example. There is a perception, both inside and outside the FSC, that there is currently insufficient delegation. An

assessment of the current practice on delegation of responsibility should be an early priority for the senior leadership team.

### **Identifying resource requirements and improving resource allocation**

1.9 The development of an improved business planning process would help the FSC determine the resources required to deliver its objectives, and the annual publication of a business plan would help the FSC to demonstrate that resources are utilised economically and efficiently.

### **Managing perceptions on fee levels and remaining competitive**

1.10 There is perception amongst some in the industry that fees charged by the FSC are high. Although there are some examples of particular fees charged by the FSC being higher than those charged in some competitor jurisdictions within the region, they generally compare favourably.

1.11 This perception may be influenced by fee increases that have been introduced in recent years. The FSC could improve the management of fee increases by undertaking a review of fees every three to five years, including a comparison with fees charged by competitor jurisdictions.

### **Securing efficiencies**

1.12 Staff numbers at the FSC needed to increase to improve the effectiveness of the Commission. Much of the increase to the current complement of 68 is accounted for by the recruitment of frontline supervisors, but the size of the operational support function has also grown considerably. This is due in part to the recruitment of additional staff to undertake data entry duties in respect of the KRegistry and various databases. This work should be brought to fruition and efficiencies secured.

### **Board fees and staff costs**

1.13 Fees paid to FSC non-executive directors for attending Board meetings are modest at \$2,000 per meeting. There is a case for a measured increase, within affordability limits, to appropriately compensate existing non-executive directors and to help attract new directors in the future.

1.14 The FSC has generally been successful in recruiting staff both locally and from some other regulators in the region, but higher compensation may need to be offered in some cases. A broad comparison of staff costs between different jurisdictions has its limitations, but suggests that FSC staff costs are being contained.

### **Reserves**

1.15 The Financial Services Commission Ordinance requires the FSC to hold reserves to ensure that financial resources are available to deliver

regulatory objectives. The FSC's reserves are within the range observed across financial services regulators in other Caribbean Overseas Territories.

1.16 The Ordinance also sets the formula and mechanism for calculating and transferring funds due to the Government. Payments due must be made by the FSC within the timescale specified in the Ordinance to set a positive example to the financial services industry on compliance.

### **Building on existing consultation processes**

1.17 The FSC has rightly jealously guarded its independence, but the FSC's approach may, on occasions, have over-compensated for potential risks to the integrity of any regulator.

1.18 The FSC should have quarterly meetings with the Minister of Finance and the Governor should consider inviting the FSC to brief Cabinet at least annually to develop the existing dialogue between the FSC and the Government.

1.19 The FSC should consider increasing the frequency of meetings with the industry to quarterly also to build on existing engagement.

1.20 The consultation process with the industry and other interested parties could be improved further by adopting a standard template for consultation documents. Adding a prominent link to live consultations to the front page of the FSC's website would help to ensure that all parties were aware of consultations and the deadline for responses.

1.21 Providing a web link to a description of the FSC's enforcement process and publishing the total value of penalties imposed would further improve transparency.

### **Developing international co-operation**

1.22 The FSC has developed a network of co-operation agreements with other regulators and has worked with a range of international bodies. The forthcoming review by the IMF and World Bank under their joint Financial Sector Assessment Programme will be an important milestone for the FSC and for TCI.